



Leidos Q3 FY22 Earnings Conference Call

November 1, 2022



Forward-Looking Statements

Certain statements in this presentation contain or are based on "forward-looking" information within the meaning of the Private Securities Litigation Reform Act of 1995. In some cases, you can identify forward-looking statements by words such as "expects," "intends," "plans," "anticipates," "believes," "estimates," "guidance" and similar words or phrases. Forward-looking statements in this presentation include, among others, estimates of our future growth and financial and operating performance, including future revenues, adjusted EBITDA margins, diluted EPS (including on a non-GAAP basis) and cash flows provided by operating activities, as well as statements about our business contingency plans, government budgets and the ongoing Continuing Resolution, uncertainties in tax due to new tax legislation or other regulatory developments, the impact of COVID-19 and related actions taken to prevent its spread, our contract awards, strategy, planned investments, sustainability goals and our future dividends, share repurchases, capital expenditures, debt repayments, acquisitions, dispositions and cash flow conversion. These statements reflect our belief and assumptions as to future events that may not prove to be accurate.

Actual performance and results may differ materially from those results anticipated by our guidance and other forward-looking statements made in this presentation depending on a variety of factors, including, but not limited to: the impact of COVID-19 or future epidemics on our business, including the potential for facility closures, re-evaluation of U.S. government spending levels and priorities, delay of new contract awards, supply chain impacts, airline travel levels, our ability to recover costs under contracts, insurance challenges, uncertainty regarding the efficacy of vaccines against variants, booster vaccinations, or the lack of public acceptance of vaccines and low vaccination rates, and laws and regulations with respect to vaccinations; changes to our reputation and relationships with government agencies, developments in the U.S. government defense budget, including budget reductions, implementation of spending limits or changes in budgetary priorities; delays in the U.S. government budget process or approval of raises to the debt ceiling; delays in the U.S. government contract procurement process or the award of contracts or our ability to win contracts; delays or loss of contracts as a result of competitor protests; changes in U.S. government procurement rules, regulations and practices; changes in interest rates and inflation, and other market factors out of our control, including general economic and political conditions; our compliance with various U.S. government and other government procurement rules and regulations; governmental reviews, audits and investigations of Leidos; our reliance on information technology spending by hospitals/healthcare organizations, infrastructure investments by industrial and natural resources organizations and other customer investments related to our business; our ability to attract, train and retain skilled employees, including our management team, and to obtain security clearances for our employees; the mix of our contracts and our ability to accurately estimate costs associated with our firm-fixed-price and other contracts as well as our ability to realize as revenues the full amount of our backlog; cybersecurity, data security or other security threats, systems failures or other disruptions of our business; resolution of legal and other disputes with our customers and others or legal or regulatory compliance issues; our ability to effectively acquire businesses and make investments and any related contingencies or liabilities to which we may become subject; our ability to maintain relationships with prime contractors, subcontractors and joint venture partners; our ability to manage performance and other risks related to customer contracts, including complex engineering projects; our ability to obtain necessary components and materials to perform our contracts, including semiconductors and related equipment, on reasonable terms or at all; the failure of our inspection or detection systems to detect threats; changes in business conditions that could impact business investments and/or recorded goodwill or the value of other long-lived assets; the adequacy of our insurance programs designed to protect us from significant product or other liability claims; our ability to manage risks associated with our international business; our ability to declare future dividends or repurchase our stock based on our earnings, financial condition, capital requirements and other factors, including compliance with applicable laws and contractual agreements; changes in accounting, U.S. or foreign tax, export or other laws, regulations, and policies and their interpretation or application; and our ability to execute our business plan and long-term management initiatives effectively and to overcome these and other known and unknown risks that we face.

This release also contains certain forward-looking statements with respect to Leidos' acquisition of Cobham Aviation Services Australia, including benefits of the transaction and the products and markets of each company. Many factors could cause actual future events to differ materially from the forward-looking statements in this release, including but not limited to: (i) the occurrence of any event, change or other circumstance that could give rise to the termination of the merger agreement, (ii) the effect of the announcement of the transaction on Cobham Aviation Services Australia's business relationships, operating results, and business generally, (iii) risks that the transaction disrupts current plans and operations of Leidos or Cobham Aviation Services Australia and potential difficulties in Cobham Aviation Services Australia's employee retention as a result of the transaction, (iv) risks related to diverting management's attention from Cobham Aviation Services Australia ongoing business operations, (v) the outcome of any legal proceedings that may be instituted against Leidos or against Cobham Aviation Services Australia related to the merger agreement or the transaction, (vi) the ability of Leidos to successfully integrate Cobham Aviation Services Australia's operations, product lines, and technology, and (vii) the ability of Leidos to implement its plans, forecasts, and other expectations with respect to Cobham Aviation Services Australia's business after the completion of the proposed acquisition and realize additional opportunities for growth and innovation. These are only some of the factors that may affect the forward-looking statements contained in this release. For further information concerning risks and uncertainties associated with our business, please refer to the filings we make from time to time with the U.S. Securities and Exchange Commission ("SEC"), including the "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Legal Proceedings" sections of our latest Annual Report on Form 10-K and Quarterly Reports on Form 10-Q, all of which may be viewed or obtained through the Investor Relations section of our website at www.leidos.com.

All information in this presentation is as of November 1, 2022. Leidos expressly disclaims any duty to update the guidance or any other forward-looking statement provided in this presentation to reflect subsequent events, actual results or changes in Leidos' expectations. Leidos also disclaims any duty to comment upon or correct information that may be contained in reports published by investment analysts or others.

Non-GAAP Financial Measures

This presentation includes certain non-GAAP financial measures, such as organic growth, non-GAAP operating income, non-GAAP operating margin, non-GAAP effective tax rate, non-GAAP diluted earnings per share (EPS), adjusted earnings before interest, taxes, depreciation and amortization (EBITDA), adjusted EBITDA margin, free cash flow and free cash conversion.

These are not measures of financial performance under generally accepted accounting principles in the U.S. ("GAAP") and, accordingly, these measures should not be considered in isolation or as a substitute for the comparable GAAP measures and should be read in conjunction with the Company's consolidated financial statements prepared in accordance with GAAP.

Management believes that these non-GAAP measures provide another measure of Leidos' results of operations and financial condition, including its ability to comply with financial covenants. These non-GAAP measures are frequently used by financial analysts covering Leidos and its peers. Leidos' computation of its non-GAAP measures may not be comparable to similarly titled measures reported by other companies, thus limiting their use for comparability.

Leidos does not provide a reconciliation of forward-looking adjusted EBITDA margins or non-GAAP diluted EPS to GAAP net income, due to the inherent difficulty in forecasting and quantifying certain amounts that are necessary for such reconciliation. Because certain deductions for non-GAAP exclusions used to calculate projected net income may vary significantly based on actual events, Leidos is not able to forecast on a GAAP basis with reasonable certainty all deductions needed in order to provide a GAAP calculation of projected net income at this time. The amounts of these deductions may be material and, therefore, could result in projected GAAP net income and diluted EPS being materially less than projected adjusted EBITDA margins and non-GAAP diluted EPS.

A reconciliation between all non-GAAP measures used in this presentation to the most directly comparable GAAP measure is contained in the appendix.

CEO Key Messages

1

Strong financial results—ahead of consensus on top and bottom lines

- Record revenues on YoY growth of 4% despite FX headwinds
- Adjusted EBITDA margin of 10.3% up 10 basis points sequentially
- Record operating and free cash flows

2

Deploying capital to create shareholder value

- Balanced, consistent approach to capital allocation
- Acquired Cobham—~\$100M run rate, accretive to non-GAAP earnings/margin
- Will lean towards share repurchase with deployable cash

3

Business Development momentum sets stage for continued growth

- Net book-to-bill ratio of 1.1x with ~\$1B of new awards protested
- Major new growth drivers in all segments
- Backlog of \$35.0B, up 1% YoY (up 2% on a funded basis)

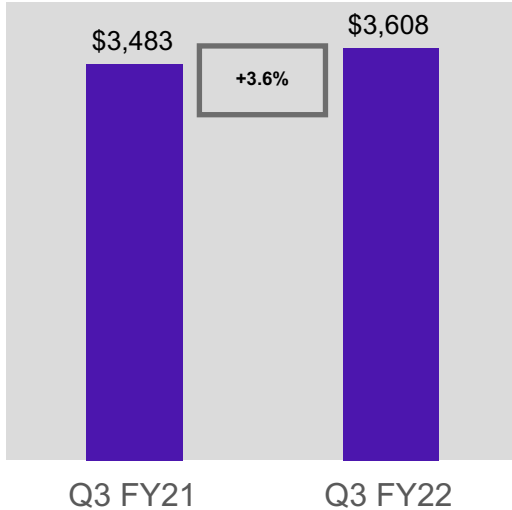
4

Investing in our people and building a market leader

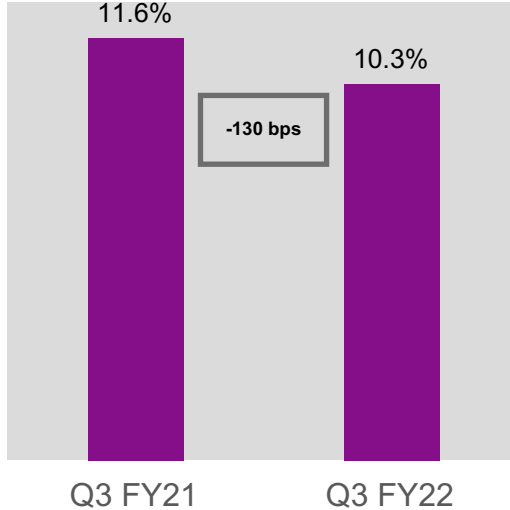
- Over 2,800 hires—increased headcount >2,000 year-to-date
- Retention improving
- Do not expect staffing to significantly constrain our 2023 plan

Q3 FY22 Results: Income Statement

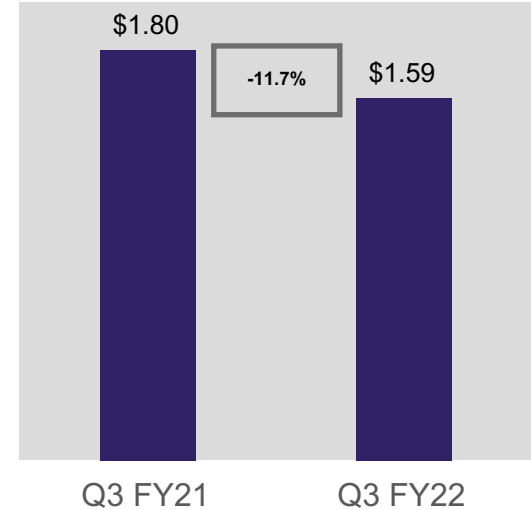
Revenues (M)



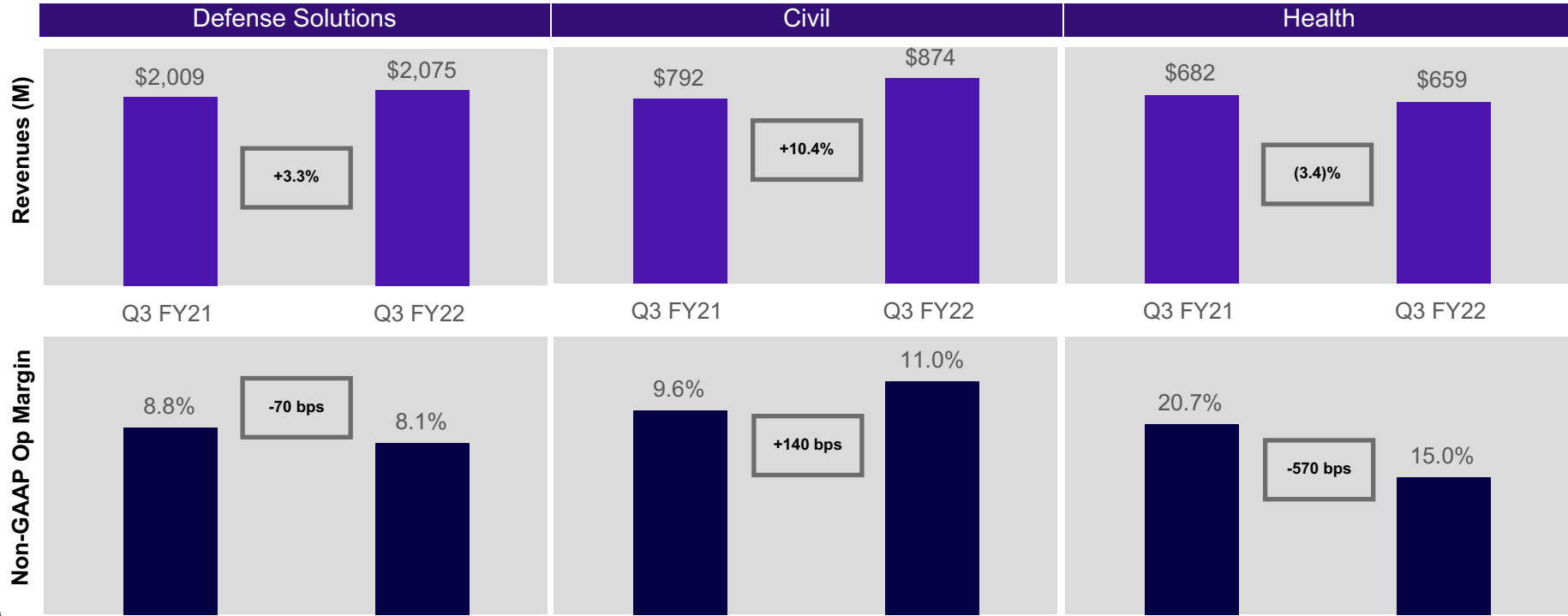
Adjusted EBITDA Margin (%)



Non-GAAP Diluted EPS (\$)



Q3 FY22 Results: Reporting Segments



Q3 FY22 Results: Cash Flow / Balance Sheet

<p>Cash Flow Generation</p>	<p>Record cash flow generation—team focus plus end of gov't fiscal year</p> <ul style="list-style-type: none"> ▪ Operating cash flow \$748M ▪ Free cash flow \$721M ▪ Reduced DSOs by 3 days sequentially to 58
<p>Capital Deployment</p>	<p>Following balanced long-term approach to capital deployment</p> <ul style="list-style-type: none"> ▪ Total return to shareholders \$53M ▪ CapEx & net debt repayment \$202M ▪ Cobham Special Mission acquisition (10/30/22) \$214M
<p>Balance Sheet</p>	<p>Focused on maintaining and leveraging Investment Grade rating</p> <ul style="list-style-type: none"> ▪ Strong liquidity >\$1B ▪ Total debt \$5.0B ▪ Leverage ratio (net) 2.8x ▪ Leverage ratio (gross) 3.4x

2022 Guidance

Measure	FY22 Guidance	
	Current	Prior
Revenues (billions)	\$14.2 - \$14.4	\$13.9 - \$14.3
Adjusted EBITDA Margin	10.3% - 10.5%	10.3% - 10.5%
Non-GAAP Diluted EPS	\$6.20 - \$6.40	\$6.10 - \$6.50
Cash Flows Provided by Operating Activities (billions)	at or above \$1.0	at or above \$1.0

Key Assumptions:

Customer/ Budget Driven Factors	<ul style="list-style-type: none"> ▪ Continuing Resolution for GFY23 in place through 12/31/22 with no Government shutdown ▪ Customer payment and outlay practices remain consistent with historical experience ▪ Procurement schedules are not further extended or cancelled beyond our present forecast ▪ Protest delays are not excessive in relation to current experience
COVID-Related Factors	<ul style="list-style-type: none"> ▪ No major disruptions from new COVID variants ▪ Supply chain shortages do not worsen, and we are able to meet the majority of customer demands for technology products



Appendix: Non-GAAP Reconciliations

Organic Growth

<i>(in millions, except growth rates)</i>	Q3 FY22	Q3 FY21	Percent Change
Defense Solutions			
Revenues, as reported	\$ 2,075	\$ 2,009	3 %
Acquisition and divestiture revenues ⁽¹⁾	8	5	
Pro-forma revenues (Organic Growth Rate)	\$ 2,067	\$ 2,004	3 %
Civil			
Revenues, as reported	\$ 874	\$ 792	10 %
Health			
Revenues, as reported	\$ 659	\$ 682	(3)%
Total Operations			
Revenues, as reported	\$ 3,608	\$ 3,483	4 %
Total acquisition and divestiture revenues ⁽¹⁾	8	5	
Pro-forma revenues (Organic Growth Rate)	\$ 3,600	\$ 3,478	4 %

Note:

1. Current period acquisition and divestiture revenues reflect revenues for 12 months from closing of an acquisition; year-ago acquisition and divestiture revenues reflect revenues from assets subsequently divested.

Non-GAAP Income Metrics Reconciliation

<i>(in millions, except per share amounts)</i>	Three Months Ended September 30, 2022					Three Months Ended October 1, 2021				
	As reported	Acquisition, integration and restructuring costs ⁽¹⁾	Amortization of acquired intangibles ⁽²⁾	Derivative Loss ⁽³⁾	Non-GAAP results	As reported	Acquisition, integration and restructuring costs ⁽¹⁾	Amortization of acquired intangibles ⁽²⁾	Asset impairment charges ⁽⁴⁾	Non-GAAP results
Operating income	\$ 281	\$ 4	\$ 57	—	\$ 342	\$ 305	\$ 6	\$ 62	\$ 3	\$ 376
Non-operating expense, net	(60)	—	—	16	(44)	(45)	—	—	—	(45)
Income before income taxes	221	4	57	16	298	260	6	62	3	331
Income tax expense ⁽⁵⁾	(57)	(1)	(15)	(4)	(77)	(52)	(2)	(16)	(1)	(71)
Net income	164	3	42	12	221	208	4	46	2	260
Less: net income attributable to non-controlling interest	2	—	—	—	2	3	—	—	—	3
Net income attributable to Leidos common stockholders	\$ 162	\$ 3	\$ 42	\$ 12	\$ 219	\$ 205	\$ 4	\$ 46	\$ 2	\$ 257
Diluted EPS attributable to Leidos common stockholders	\$ 1.17	\$ 0.02	\$ 0.31	\$ 0.09	\$ 1.59	\$ 1.43	\$ 0.03	\$ 0.32	\$ 0.01	\$ 1.80
Diluted shares	138	138	138	138	138	143	143	143	143	143
Income before income taxes	221	4	57	16	298	260	6	62	3	331
Depreciation expense	24	—	—	—	24	24	—	—	—	24
Amortization of intangibles	57	—	(57)	—	—	63	—	(62)	—	1
Interest expense, net	50	—	—	—	50	47	—	—	—	47
EBITDA	\$ 352	\$ 4	\$ —	\$ 16	\$ 372	\$ 394	\$ 6	\$ —	\$ 3	\$ 403
EBITDA margin ⁽⁶⁾	9.8 %				10.3 %	11.3 %				11.6 %

Notes:

1. Acquisition, integration, lease termination and severance costs related to the Company's acquisitions
2. Amortization of the fair value of the acquired intangible assets
3. Derivative fair value loss associated with the foreign currency forward contract to hedge the preliminary purchase price for the Cobham acquisition
4. Impairments of long-lived intangible assets
5. Tax impact of non-GAAP items calculated using estimated statutory tax rate
6. EBITDA divided by revenues (slide 5)

Segment Non-GAAP Operating Income Reconciliation

Three Months Ended September 30, 2022						
(in millions)	Operating income (loss)	Acquisition, integration and restructuring costs	Amortization of acquired intangibles	Non-GAAP operating income (loss)	Non-GAAP operating margin ⁽¹⁾	
Defense Solutions	\$ 137	\$ —	\$ 32	\$ 169	8.1 %	
Civil	79	—	17	96	11.0 %	
Health	91	—	8	99	15.0 %	
Corporate	(26)	4	—	(22)	NM ⁽²⁾	
Total	\$ 281	\$ 4	\$ 57	\$ 342	9.5 %	

Three Months Ended October 1, 2021						
(in millions)	Operating income (loss)	Acquisition, integration and restructuring costs	Amortization of acquired intangibles	Asset impairment charges	Non-GAAP operating income (loss)	Non-GAAP operating margin ⁽¹⁾
Defense Solutions	\$ 140	\$ —	\$ 36	\$ —	\$ 176	8.8 %
Civil	58	—	18	—	76	9.6 %
Health	130	—	8	3	141	20.7 %
Corporate	(23)	6	—	—	(17)	NM ⁽²⁾
Total	\$ 305	\$ 6	\$ 62	\$ 3	\$ 376	10.8 %

Notes:

1. Non-GAAP operating income divided by revenues (slides 5 and 6)
2. Not meaningful

Free Cash Flow

<i>(in millions, except conversion ratio)</i>	Three Months Ended	
	September 30, 2022	October 1, 2021
Net cash provided by operating activities	\$ 748	\$ 565
Payments for property, equipment and software	(27)	(24)
Free cash flow	\$ 721	\$ 541
Net income attributable to Leidos common stockholders	\$ 162	\$ 205
Acquisition, integration and restructuring costs	3	4
Amortization of acquired intangibles	42	46
Derivative loss	12	—
Asset impairment charges	—	2
Non-GAAP net income attributable to Leidos common stockholders	\$ 219	\$ 257
<i>Operating cash flow conversion ratio⁽¹⁾</i>	462 %	276 %
<i>Free cash flow conversion ratio⁽²⁾</i>	329 %	211 %

Notes:

1. Net cash provided by operating activities divided by net income attributable to Leidos common stockholders
2. Free cash flow divided by non-GAAP net income attributable to Leidos common stockholders